

JACKSON HOUSING COMMISSION  
JACKSON, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# AUDITING PROCEDURES REPORT

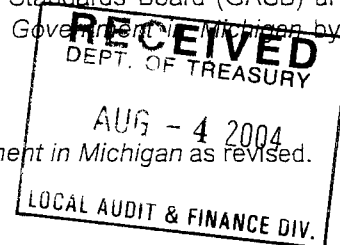
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Jackson Housing Commission</i>		County <i>Jackson</i>
Audit Date <i>3/31/04</i>	Opinion Date <i>6/30/04</i>	Date Accountant Report Submitted to State: <i>7/30/04</i>			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>	City <b>Traverse City</b>	State <b>MI</b>	Zip <b>49686</b>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

JACKSON HOUSING COMMISSION  
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INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Jackson Housing Commission  
Jackson, Michigan

We have audited the accompanying financial statements of the Jackson Housing Commission, Michigan as of March 31, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jackson Housing Commission, Michigan, as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004 on our consideration of Jackson Housing Commission, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jackson Housing Commission  
Independent Auditor's Report  
Page Two

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Sam E. Faudett, CPA, PC*

June 30, 2004

FINANCIAL STATEMENTS

JACKSON HOUSING COMMISSION  
COMBINED BALANCE SHEET  
March 31, 2004  
=====

**ASSETS**

Current Assets:

Cash	\$ 807,705
Accounts receivable	79,394
Allowance for doubtful accounts	( 462)
Investments-unrestricted	69,492
Prepaid expenses	107,311
Due from other programs	<u>750</u>

Total Current Assets 1,064,190

Restricted cash 37,850

Property, Plant, and Equipment:

Buildings	18,924,176
Equipment	659,863
Building improvements	<u>1,861,972</u>
	21,446,011
Less: accumulated depreciation	<u>(11,249,374)</u>

Net Property, Plant, and Equipment 10,196,637

Total Assets \$ 11,298,677

See notes to financial statements



JACKSON HOUSING COMMISSION  
COMBINED BALANCE SHEET (CONTINUED)  
March 31, 2004  
=====

**LIABILITIES and EQUITY**

Current Liabilities:

Bank overdraft	\$ 14,253
Accounts payable	298,612
Tenant security deposit liability	94,538
Accrued expenses and liabilities	87,183
Deferred revenues	10,118
Current portion of long-term debt	42,922
Due to other programs	<u>750</u>

Total Current Liabilities	<u>548,376</u>
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Noncurrent Liabilities:

Long-term debt, net of current	386,295
Accrued compensated absences	<u>235,087</u>

Total noncurrent liabilities	<u>621,382</u>
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Total Liabilities	<u>1,169,758</u>
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Equity:

Contributed capital-HUD	9,183,803
Undesignated retained earnings	<u>945,116</u>

Total Equity	<u>10,128,919</u>
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Total Liabilities and Equity	<u>\$ 11,298,677</u>
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See notes to financial statements

JACKSON HOUSING COMMISSION  
**COMBINED STATEMENT OF REVENUE, EXPENSES AND  
 CHANGES IN EQUITY**  
 Year Ended March 31, 2004  
 =====

**OPERATING REVENUES:**

Dwelling rent	\$ 1,180,073
Non-dwelling rent	<u>10,491</u>
 Total operating revenues	 <u>1,190,564</u>

**OPERATING EXPENSES:**

Administration	893,962
Tenant services	54,241
Utilities	358,048
Ordinary maintenance and operation	898,927
General expenses	289,389
Housing assistance payments	2,098,574
Depreciation	<u>533,174</u>
 Total operating expenses	 <u>5,126,315</u>

Operating income(loss)	<u>(3,935,751)</u>
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**NONOPERATING REVENUES AND (EXPENSES):**

Operating grants	3,258,050
Capital grants	345,191
Investment interest income	7,121
Other income	<u>52,140</u>

Total nonoperating revenues(expenses)	<u>3,662,502</u>
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Net income(loss)	( 273,249)
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Prior period adjustments, equity transfers  
 and correction of errors

88,684

Equity, beginning

10,313,484

Equity, ending

\$10,128,919

See notes to financial statements

JACKSON HOUSING COMMISSION  
**COMBINED STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2004  
=====

**Cash flows from operating activities:**

Operating (loss)	\$ (3,935,751)
Adjustments to reconcile operating (loss)	
to net cash (used in) operating activities:	
Depreciation	533,174
Bad debt allowance	462
Prior period adjustments	753
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 208)
Accounts receivable-other governments	( 35,000)
Due from other funds	15,710
Prepaid expenses	( 37,379)
Increase (decrease) in liabilities:	
Bank overdraft	14,253
Accounts payable-operations	( 47,329)
Accrued compensated absences	42,542
Accounts payable-PILOT	851
Tenant security deposits	( 2,164)
Other current liabilities	( 35)
Accrued liabilities	5,573
Deferred revenues	3,441
Due to other funds	( 15,710)
Net cash (used in) operating activities	<u>(3,456,817)</u>

**Cash flows from noncapital and related financing activities:**

Operating grants	3,391,241
Other revenues	<u>52,140</u>
Net cash provided by noncapital and related financing activities	<u>3,443,381</u>

**Cash flows from capital and related financing activities:**

Long-term debt payments	( 8,406)
Capital grants	345,191
Payments for capital acquisitions	<u>( 345,191)</u>
Net cash (used in) capital and related financing activities	<u>( 8,406)</u>

JACKSON HOUSING COMMISSION  
**COMBINED STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended March 31, 2004  
=====

**Cash flows from investing activities:**

Certificates of deposits purchased	( 107,342)
Receipts of interest and dividends	<u>7,121</u>

Net cash (used in) investing activities	<u>( 100,221)</u>
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Net increase(decrease) in cash	( 122,063)
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Cash, beginning	<u>929,768</u>
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Cash, ending	<u><u>\$ 807,705</u></u>
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**Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheet:**

Cash	\$ 807,705
Restricted cash	37,850
Investments	<u>69,492</u>

Cash and cash equivalents per balance sheet	<u><u>\$ 915,047</u></u>
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See notes to financial statements

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Jackson Housing Commission. The Jackson Housing Commission is a component unit of the City of Jackson, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Jackson on February 26, 1946, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Jackson Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3005, the Housing Commission constructed, maintains and operates 553 units of subsidized housing in the City of Jackson, Michigan. Under Contract MI038VO the Housing Commission manages a Housing Choice Voucher program of subsidies for 475 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

**Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Accounting (Continued)**

costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earning components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Jackson has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

**Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

**Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

**Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

**Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$500 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	15 - 20 years
Buildings	40 years
Building improvements	20 years
Nondwelling structures	10 years
Furniture, equipment and machinery	7 years

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity**

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

**Operating Revenues and Expenses**

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

**Vacation and Sick Leave**

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation time, beginning April 1, 2001, employees may carry a maximum additional two weeks vacation time over their authorized allocation in any one fiscal year.
- \* Sick pay is earned at a rate of one day per month and can accumulate up to a maximum of one hundred-eighty(180) days. Upon retirement only, employees will be paid an amount equal to 50% of compensation for unused sick leave.



JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Vacation and Sick Leave (Continued)**

- \* Personal days are awarded to those employees who demonstrate excellent work attendance by awarding a "personal day" of leave for each quarter of perfect attendance. Personal days are not accumulative, and, therefore, must be taken during the quarter following the award.

The amount of accumulated benefits at March 31, 2004, was \$261,208 and is recorded as a liability in the applicable funds.

**Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

**Income Taxes**

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

**NOTE 2: CASH AND INVESTMENTS**

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

- Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

JACKSON HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
 =====

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>						<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>		
Standard Federal Bank	\$ 4,836	\$	\$	\$ 4,836	\$ 4,836	
Republic Bank	65,291			65,291	-	
Franklin Templeton Investments (U.S. Government Securities Fund)	12,780			12,780	12,780	
Comerica Bank	73,375			73,375	73,375	
Oppenheimer (money fund)	39,528			39,528	39,528	
A.G. Edwards (GNMA and U.S. Government Series Bonds)	82,227			82,227	82,227	
National City Bank	39,184			39,184	39,184	
Citizens Bank	200,000	461,617		661,617	661,617	
Total Deposits	<u>\$517,221</u>	<u>\$461,617</u>	<u>\$</u>	<u>\$978,838</u>	913,547	
Petty cash, change and coin funds					1,500	
						<u>\$915,047</u>

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Reconciliation to Cash on Balance Sheet

Cash-unrestricted	\$807,705
Cash-other restricted	37,850
Investments-unrestricted	<u>69,492</u>
 Total	 <u>\$915,047</u>

**Restricted Cash** - Restricted cash is comprised of FSS escrow balances.

**NOTE 3: RECEIVABLES AND PAYABLES**

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$43,644 with \$462 estimated as uncollectible. Bad debt expense was \$12,969.

Payroll Advance

On January 29, 1998, the Jackson Housing Commission deposited \$35,000 into the City of Jackson's payroll account. These imprest funds allow the City to cover the Jackson Housing Commission's biweekly payroll liability if the Commission is delayed in meeting the amount due. As of March 31, 2004 the \$35,000 remains with the City as Due to the Jackson Housing Commission(liability).

Due from and to HUD

Due from and to HUD represents (un)advanced funding that (under)exceeded the Housing Commission's actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

<u>Fund</u>	<u>A/R HUD</u>	<u>Fund</u>	<u>A/P HUD</u>
Resident Opportunity and Supportive Services Program	<u>\$ 750</u>	Housing Choice Voucher Program	<u>\$ 237,245</u>

JACKSON HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
 =====

**Inter-fund Receivables and Payables**

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 750	Resident Opportunity and Supportive Services Program	\$ 750
	<u>\$ 750</u>		<u>\$ 750</u>

Individual fund operating transfers during 2003/2004 are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Housing Choice Voucher Program	<u>\$ 125,443</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance 03/31/03</u>	<u>Additions/Retirements/ Transfers</u>	<u>Balance 03/31/04</u>
<b>Low Rent Program</b>			
Buildings	\$18,152,203	\$ 771,973	\$18,924,176
Furniture, equip. & machinery - dwellings	333,143	57,022	276,121
Furniture, equip. & machinery - administration	<u>365,874</u>	<u>15,473</u>	<u>350,401</u>
	18,851,220	<u>\$ 771,973</u>	19,550,698
Less accumulated depreciation	<u>(10,755,354)</u>	<u>\$ (533,174)</u>	<u>(11,216,033)</u>
Total	<u>\$ 8,095,866</u>		<u>\$ 8,334,665</u>

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 4: CAPITAL ASSETS (Continued)**

**Capital Fund Program**

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Buildings improvements	\$1,428,850	\$ 433,122	\$ _____	\$1,861,972
	1,428,850	<u>\$ 433,122</u>	<u>\$ _____</u>	1,861,972
Less accumulated depreciation	_____	<u>\$ _____</u>	<u>\$ _____</u>	_____
Total	<u>\$1,428,850</u>			<u>\$1,861,972</u>

**Comprehensive Improvement Assistance Program**

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Building improvements	\$ 771,973	\$ _____	\$ 771,973	\$ _____
	771,973	<u>\$ _____</u>	<u>\$ 771,973</u>	
Less accumulated depreciation	_____	<u>\$ _____</u>	<u>\$ _____</u>	_____
Total	<u>\$ 771,973</u>			<u>\$ _____</u>

**Housing Choice Voucher Program**

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Furniture, equip. and machinery-administration	\$ 33,341	\$ _____	\$ _____	\$ 33,341
	33,341	<u>\$ _____</u>	<u>\$ _____</u>	33,341
Less accumulated depreciation	( 33,341)	<u>\$ _____</u>		( 33,341)
Total	<u>\$ _____</u>			<u>\$ _____</u>

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 5: CONTRIBUTED CAPITAL**

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Long-term Debt- HUD Guaranteed</u>	<u>Net HUD PHA Contributions</u>
Balance, beginning	\$ 8,947,762	\$ -
Adjustment		769,215
Depreciation add back	( 533,174)	<u>                    </u>
Balance, ending	<u>\$ 8,414,588</u>	<u>\$ 769,215</u>

**NOTE 6: POST EMPLOYMENT BENEFITS**

Each eligible employee is covered under a defined benefit plan through the City Plan Ordinance of the City of Jackson. The Plan funds are invested with local bank pension plan managers. The Housing Commission and each employee contributes 2.5% of the employee's annual compensation. The Housing Commission's portion of the pension cost was \$22,401.20 during the fiscal year ended March 31, 2004. Further details of funding the pension assets are contained in a separate report with the City of Jackson.

**NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

JACKSON HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 8: RISK MANAGEMENT AND LITIGATION**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

**NOTE 9: LONG-TERM DEBT**

An installment purchase agreement was signed and dated September 20, 2000 by and between the City of Jackson(City) and the Jackson Housing Commission(JHA) with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the National City Bank(Bank) of Michigan/Illinois, Lansing, Michigan as the assignee.

The City agreed to purchase and WESC agreed to sell and provide the City and JHA certain water and energy conservation equipment to be installed in public housing facilities operated by JHA for the sum of \$487,000. The purchase price is payable in quarterly payments of principal and interest on each December 1, March 1, June 1 and September 1, commencing December 1, 2000 and ending on September 1, 2011. The interest rate is at 6.4169% with the annual payments of principal and interest at approximately \$62,500 per year.

Debt principal requirements for the ensuing five-year period are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3/31/05	\$ 6,997.46	\$ 8,408.61	\$ 15,406.07
3/31/06	6,860.69	8,961.30	15,821.99
3/31/07	6,714.94	8,961.30	15,676.24
3/31/08	6,569.18	8,961.30	15,530.48
3/31/09	6,423.42	8,961.30	15,384.72
Thereafter	<u>111,937.22</u>	<u>384,963.36</u>	<u>496,900.58</u>
	<u>\$ 145,502.91</u>	<u>\$429,217.17</u>	<u>\$ 574,720.08</u>

JACKSON HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
 =====

**NOTE 10: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Jackson Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Operating revenue	\$1,190,564	\$ -	\$ -
Depreciation	533,174	-	-
Operating (loss)	(1,594,178)	-	(2,319,676)
Operating grants	776,187	125,443	2,334,523
Capital grants		345,191	-
Net income (loss)	( 638,284)	345,191	19,844
Operating transfers	125,443	( 125,443)	-
Plant, property, and equipment:			
Additions	771,973	433,122	-
Deletions	( 72,495)	-	-
Working capital	128,508	-	425,156
Total assets	8,736,487	1,861,972	699,468
Total equity	7,841,791	1,861,972	425,156

**NOTE 11: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND  
 CORRECTION OF ERRORS**

Low Rent Program

Adjustment of year end accruals	\$ 753
Close of Comprehensive Grant Program	<u>771,973</u>
	<u>\$ 772,726</u>

Comprehensive Grant Program

Closed & transferred to Low Rent Program	<u>\$ (771,973)</u>
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Capital Fund Program

Previously reported soft cost capitalized	<u>\$ 87,931</u>
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SUPPLEMENTARY INFORMATION

JACKSON HOUSING COMMISSION  
**COMBINING BALANCE SHEET**  
 March 31, 2004  
 =====

C-3005	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**ASSETS**

Current assets:

Cash	\$ 146,087	\$
Accounts receivable	78,644	
Allowance for doubtful accounts	( 462)	
Investments-unrestricted	69,492	
Prepaid expenses	107,311	
Due from other programs	<u>750</u>	

Total current assets

<u>401,822</u>	
----------------	--

Restricted cash

--	--

Property, plant, and equipment:

Buildings	18,924,176	
Equipment	626,522	
Building improvements		<u>1,861,972</u>
	<u>19,550,698</u>	<u>1,861,972</u>
Less accumulated depreciation	<u>( 11,216,033)</u>	

Net property, plant and  
equipment

<u>8,334,665</u>	<u>1,861,972</u>
------------------	------------------

Total Assets

<u>\$ 8,736,487</u>	<u>\$ 1,861,972</u>
---------------------	---------------------

Housing Choice Vouchers 14.871	Economic Develop. and Support Services Program 14.864	CGP Program 14.859	Resident Opportunity and Support Services Program 14.870	Totals
\$ 661,618	\$	\$	\$ 750	\$ 807,705
				79,394
				( 462)
				69,492
				107,311
				750
661,618			750	1,064,190
37,850				37,850
				18,924,176
33,341				659,863
				1,861,972
33,341				21,446,011
( 33,341)				(11,249,374)
				10,196,637
<u>\$ 699,468</u>	<u>\$</u>	<u>\$</u>	<u>\$ 750</u>	<u>\$ 11,298,677</u>

JACKSON HOUSING COMMISSION  
**COMBINING BALANCE SHEET (CONTINUED)**  
 March 31, 2004

=====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and EQUITY</b>		
Current liabilities:		
Bank overdraft	\$ 14,253	\$
Accounts payable	61,367	
Tenant security deposit liability	94,538	
Accrued expenses and liabilities	50,116	
Deferred revenues	10,118	
Current portion of long-term debt	42,922	
Due to other programs	<u>          </u>	<u>          </u>
Total current liabilities	<u>273,314</u>	<u>          </u>
Noncurrent liabilities:		
Long-term debt, net of current	386,295	
Accrued compensated absences	<u>235,087</u>	<u>          </u>
Total noncurrent liabilities	<u>621,382</u>	<u>          </u>
Total liabilities	<u>894,696</u>	<u>          </u>
Equity:		
Contributed capital - HUD	9,183,803	
Undesignated retained earnings (deficit)	<u>( 1,342,012)</u>	<u>1,861,972</u>
Total equity	<u>7,841,791</u>	<u>1,861,972</u>
Total Liabilities and Equity	<u>\$ 8,736,487</u>	<u>\$ 1,861,972</u>

Housing Choice Vouchers <u>14.871</u>	Economic Develop. and Support Services Program <u>14.864</u>	CGP Program <u>14.859</u>	Resident Opportunity and Support Services Program <u>14.870</u>	<u>Totals</u>
\$ 237,245	\$	\$	\$	\$ 14,253
37,067				298,612
				94,538
				87,183
				10,118
				42,922
			750	750
<u>274,312</u>			750	<u>548,376</u>
				386,295
				<u>235,087</u>
				621,382
<u>274,312</u>			750	<u>1,169,758</u>
				9,183,803
<u>425,156</u>				<u>945,116</u>
<u>425,156</u>				<u>10,128,919</u>
<u>\$ 699,468</u>	<u>\$</u>	<u>\$</u>	<u>\$ 750</u>	<u>\$ 11,298,677</u>

JACKSON HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND  
 CHANGES IN EQUITY**  
 Year Ended March 31, 2004  
 =====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 1,180,073	\$
Nondwelling rent	<u>10,491</u>	
Total operating revenues	<u>1,190,564</u>	
<b>OPERATING EXPENSES:</b>		
Administration	650,963	
Tenant services	54,241	
Utilities	358,048	
Ordinary maintenance and operation	898,927	
General expenses	289,389	
Housing assistance payments		
Depreciation	<u>533,174</u>	
Total operating expenses	<u>2,784,742</u>	
Operating income(loss)	<u>( 1,594,178)</u>	
<b>NONOPERATING REVENUES AND (EXPENSES):</b>		
Operating grants	776,187	125,443
Capital grants		345,191
Investment interest income	2,124	
Other income	52,140	
Operating transfers in (out)	<u>125,443</u>	<u>( 125,443)</u>
Total nonoperating revenues (expenses)	<u>955,894</u>	<u>345,191</u>
Net income(loss)	<u>( 638,284)</u>	345,191
Prior period adjustments, equity transfers and correction of errors	772,726	87,931
Equity, beginning	<u>7,707,349</u>	<u>1,428,850</u>
Equity, ending	<u>\$ 7,841,791</u>	<u>\$1,861,972</u>

Housing Choice Vouchers 14.871	Economic Develop. and Support Services Program 14.864	CGP Program 14.859	Resident Opportunity and Support Services Program 14.870	Totals
\$	\$	\$	\$	\$ 1,180,073
				10,491
				1,190,564
221,102	4,256		17,641	893,962
				54,241
				358,048
				898,927
				289,389
2,098,574				2,098,574
				533,174
2,319,676	4,256		17,641	5,126,315
(2,319,676)	( 4,256)		(17,641)	( 3,935,751)
2,334,523	4,256		17,641	3,258,050
				345,191
4,997				7,121
				52,140
2,339,520	4,256		17,641	3,662,502
19,844				( 273,249)
		(771,973)		88,684
405,312		771,973		10,313,484
\$ 425,156	\$	\$	\$	\$ 10,128,919

JACKSON HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2004  
=====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>Cash flows from operating activities:</b>		
Operating (loss)	\$(1,594,178)	\$
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	533,174	
Bad debt allowance	462	
Prior period adjustments	753	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 208)	
Accounts receivable-other govt.	( 35,000)	
Due from other funds	15,710	
Prepaid expenses	( 37,379)	
Increase (decrease) in liabilities:		
Bank overdraft	14,253	
Accounts payable-operations	( 47,329)	
Accrued compensated absences	42,542	
Accounts payable-PILOT	851	
Tenant security deposits	( 2,164)	
Other current liabilities	( 35)	
Accrued liabilities		
Deferred revenues	3,441	
Due to other funds		
	<u>                    </u>	<u>                    </u>
Net cash (used in) operating activities	<u>(1,105,107)</u>	<u>                    </u>
<b>Cash flows from noncapital and related financing activities:</b>		
Operating grants	776,187	125,443
Operating transfers in (out)	125,443	( 125,443)
Other revenues	<u>52,140</u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
Net cash provided by noncapital and related financing activities	<u>953,770</u>	<u>                    </u>
<b>Cash flows from capital and related financing activities:</b>		
Long-term debt payments	( 8,406)	
Capital grants		345,191
Payments for capital acquisitions	<u>                    </u>	<u>( 345,191)</u>
	<u>                    </u>	<u>                    </u>
Net cash (used in) capital and related financing activities	<u>( 8,406)</u>	<u>                    </u>



<u>Housing Choice Vouchers 14.871</u>	<u>Economic Develop. and Support Services Program 14.864</u>	<u>CGP Program 14.859</u>	<u>Resident Opportunity and Support Services Program 14.870</u>	<u>Totals</u>
\$ (2,319,676)	\$ (4,256)	\$	\$ ( 17,641)	\$ ( 3,935,751)
				533,174
				462
				753
				( 208)
				( 35,000)
				15,710
				( 37,379)
				14,253
				( 47,329)
				42,542
				851
				( 2,164)
				( 35)
5,573				5,573
( 16,460)			750	3,441
				( 15,710)
<u>(2,330,563)</u>	<u>(4,256)</u>		<u>( 16,891)</u>	<u>( 3,456,817)</u>
2,468,464	4,256		16,891	3,391,241
				52,140
<u>2,468,464</u>	<u>4,256</u>		<u>16,891</u>	<u>3,443,381</u>
				( 8,406)
				345,191
				( 345,191)
				( 8,406)

JACKSON HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
 Year Ended March 31, 2004  
 =====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>Cash flows from investing activities:</b>		
Certificates of deposits purchased	( 69,492)	
Receipts of interest and dividends	<u>2,124</u>	
Net cash (used in) investing activities	<u>( 67,368)</u>	
Net increase(decrease) in cash	( 227,111)	
Cash, beginning	<u>373,198</u>	
Cash, ending	<u><u>\$ 146,087</u></u>	<u><u>\$</u></u>

**Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheet:**

Cash	\$ 146,087	\$
Restricted cash		
Investments	<u>69,492</u>	
Cash and cash equivalents per balance sheet	<u><u>\$ 215,579</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Economic Develop. and Support Services Program 14.864	CGP Program 14.859	Resident Opportunity and Support Services Program 14.870	Totals
( 37,850)				( 107,342)
<u>4,997</u>				<u>7,121</u>
( 32,853)				( 100,221)
105,048				( 122,063)
<u>556,570</u>				<u>929,768</u>
<u>\$ 661,618</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 807,705</u>
 \$ 661,618	 \$	 \$	 \$	 \$ 807,705
<u>37,850</u>				<u>37,850</u>
				<u>69,492</u>
<u>\$ 699,468</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 915,047</u>

JACKSON HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2004  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 776,187
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Economic Development and Supportive Services Program	14.864	4,256
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Resident Opportunity and and Supportive Services	14.870	17,641
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	470,634
	<u>Low Income Public Housing Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>2,334,523</u>
	Total		<u>\$3,603,241</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

## JACKSON HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-3005 Low Rent Program 14.850	Capital Fund Program 14.872
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 146,087	\$
113	Cash-other restricted		
100	Total cash	146,087	
	Receivables:		
122	A/R-HUD other projects		
124	A/R-other government	35,000	
126	A/R-tenants-dwelling rents	43,644	
126.1	Allowance for doubtful accounts - dwelling rents	( 462)	
120	Total receivables, net of allowance for doubtful accounts	78,182	
	Current Investments:		
131	Investments-unrestricted	69,492	
	Other Current Assets:		
142	Prepaid expenses and other assets	107,311	
144	Interprogram due from	750	
	Total other current assets	108,061	
150	Total current assets	401,822	
	Noncurrent Assets:		
	Fixed Assets:		
162	Buildings	18,924,176	
163	Furn, equip & mach-dwellings	276,121	
164	Furn, equip & mach-admin.	350,401	
165	Building improvements		1,861,972
166	Accumulated depreciation	(11,216,033)	
160	Total fixed assets, net of accumulated depreciation	8,334,665	1,861,972
180	Total noncurrent assets	8,334,665	1,861,972
190	Total Assets	\$ 8,736,487	\$1,861,972

Housing Choice Vouchers <u>14.871</u>	Economic Develop. and Support Services Program <u>14.864</u>	CGP Program <u>14.859</u>	Resident Opportunity and Support Services Program <u>14.870</u>	Totals
\$661,618	\$	\$	\$	\$ 807,705
<u>37,850</u>				<u>37,850</u>
<u>699,468</u>				<u>845,555</u>
			750	750
				35,000
				43,644
				( 462)
			750	<u>78,932</u>
				<u>69,492</u>
				107,311
				750
				<u>108,061</u>
<u>699,468</u>			750	<u>1,102,040</u>
				18,924,176
33,341				276,121
				383,742
				1,861,972
( 33,341)				(11,249,374)
				<u>10,196,637</u>
				<u>10,196,637</u>
<u>\$699,468</u>	<u>\$</u>	<u>\$</u>	<u>\$ 750</u>	<u>\$ 11,298,677</u>

JACKSON HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2004

=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY</b>			
	Liabilities:		
	Current Liabilities:		
311	Bank overdraft	\$ 14,253	\$
322	Accrued compensated absences	26,121	
331	Accounts payable-HUD PHA programs		
333	Accounts payable-other government	61,367	
341	Tenant security deposits	94,538	
342	Deferred revenues	10,118	
343	Current portion of long-term debt	42,922	
345	Other current liabilities	22,920	
346	Accrued liabilities-other	1,075	
347	Interprogram due to		
310	Total current liabilities	<u>273,314</u>	
	Noncurrent Liabilities:		
351	Long-term debt, net of current	386,295	
354	Accrued compensated absences	<u>235,087</u>	
350	Total noncurrent liabilities	<u>621,382</u>	
300	Total liabilities	<u>894,696</u>	
	Equity:		
	Contributed Capital:		
503	Long-term debt-HUD guaranteed	8,414,588	
504	Net HUD PHA contributions	<u>769,215</u>	
508	Total contributed capital	9,183,803	
512	Undesignated retained earnings	<u>(1,342,012)</u>	<u>1,861,972</u>
513	Total Equity	<u>7,841,791</u>	<u>1,861,972</u>
600	Total Liabilities and Equity	<u>\$ 8,736,487</u>	<u>\$1,861,972</u>

Housing Choice Vouchers <u>14.871</u>	Economic Develop. and Support Services Program <u>14.864</u>	CGP Program <u>14.859</u>	Resident Opportunity and Support Services Program <u>14.870</u>	<u>Totals</u>
\$	\$	\$	\$	\$ 14,253
				26,121
237,245				237,245
				61,367
				94,538
				10,118
				42,922
37,067				22,920
				38,142
			750	750
<u>274,312</u>			750	548,376
				386,295
				235,087
				621,382
<u>274,312</u>			750	1,169,758
				8,414,588
				769,215
				9,183,803
<u>425,156</u>				945,116
<u>425,156</u>				10,128,919
<u>\$699,468</u>	<u>\$</u>	<u>\$</u>	<u>\$ 750</u>	<u>\$ 11,298,677</u>



JACKSON HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2004

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$1,180,073	\$
704	Tenant revenue-other	<u>10,491</u>	
705	Total tenant revenue	1,190,564	
706	HUD PHA grants	776,187	125,443
706.1	Capital grants		345,191
711	Investment income-unrestricted	2,124	
715	Other revenue	<u>52,140</u>	
700	Total revenue	<u>2,021,015</u>	<u>470,634</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	331,781	
912	Auditing fees	2,621	
914	Compensated absences	42,542	
915	Employee benefit contributions-adm.	84,416	
916	Other operating-administrative	189,603	
	Tenant services:		
921	Tenant services-salaries	33,580	
923	Employee benefit contributions	11,753	
924	Tenant services-other	8,908	
	Utilities:		
931	Water	98,722	
932	Electricity	137,610	
933	Gas	121,716	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	377,181	
942	Ord. maint & oper-mat'ls & other	105,552	
943	Ord. maint & oper-contract costs	222,632	
945	Employee benefit contributions	183,560	
953	Protective services-other	10,002	
	General expenses:		
961	Insurance premiums	113,014	
962	Other general expenses	63,730	
963	Payments in lieu of taxes	61,367	
964	Bad debt-tenant rents	12,969	
967	Interest expense	<u>38,309</u>	
969	Total operating expenses	<u>2,251,568</u>	
970	Excess operating revenue over operating expenses	<u>( 230,553)</u>	<u>470,634</u>

Housing Choice Vouchers 14.871	Economic Develop. and Support Services Program 14.864	CGP Program 14.859	Resident Opportunity and Support Services Program 14.870	Totals
\$	\$	\$	\$	\$ 1,180,073
				10,491
2,334,523	4,256		17,641	1,190,564
				3,258,050
4,997				345,191
				7,121
				52,140
<u>2,339,520</u>	<u>4,256</u>		<u>17,641</u>	<u>4,853,066</u>
136,106	4,256		17,641	489,784
1,754				4,375
				42,542
34,004				118,420
49,238				238,841
				33,580
				11,753
				8,908
				98,722
				137,610
				121,716
				377,181
				105,552
				222,632
				183,560
				10,002
				113,014
				63,730
				61,367
				12,969
				38,309
<u>221,102</u>	<u>4,256</u>		<u>17,641</u>	<u>2,494,567</u>
<u>2,118,418</u>				<u>2,358,499</u>

JACKSON HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2004  
 =====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>533,174</u>	
	Total other expenses	<u>533,174</u>	
900	Total expenses	<u>2,784,742</u>	
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	( 763,727)	470,634
	<b>Other Financing Sources (Uses):</b>		
1001	Operating transfers in (out)	<u>125,443</u>	( 125,443)
1000	Excess (deficiency) of operating revenue over (under) expenses	( 638,284)	345,191
1103	Beginning Equity	7,707,349	1,428,850
1104	Prior period adjustments, equity transfers and correction of errors	<u>772,726</u>	<u>87,931</u>
	Ending Equity	<u>\$ 7,841,791</u>	<u>\$1,861,972</u>

Housing Choice Vouchers 14.871	Economic Develop. and Support Services Program 14.864	CGP Program 14.859	Resident Opportunity and Support Services Program 14.870	Totals
2,098,574				2,098,574
				533,174
<u>2,098,574</u>				<u>2,631,748</u>
<u>2,319,676</u>	<u>4,256</u>			<u>5,126,315</u>
19,844				( 273,249)
19,844				( 273,249)
405,312		771,973		10,313,484
		(771,973)		88,684
<u>\$ 425,156</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 10,128,919</u>

**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Jackson Housing Commission  
Jackson, Michigan

We have audited the financial statements of the Jackson Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control  
In Accordance with Government Auditing Standard  
Jackson Housing Commission  
Page Two

**Internal Control Over Financial Reporting - Continued**

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Taudeth, CPA, PC*

June 30, 2004

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Jackson Housing Commission  
Jackson, Michigan

**Compliance**

We have audited the compliance of the Jackson Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control  
Over Compliance in Accordance With  
OMB Circular A-133  
Jackson Housing Commission  
Page Two

**Compliance (continued)**

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

**Internal Control Over Compliance**

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Tardiff, CPA, PC*

June 30, 2004



JACKSON HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 March 31, 2004  
 =====

**A. Summary of Audit Results**

Financial Statements

- |  |             |
|--|-------------|
| 1. Type of Auditor's Report issued:                                | Unqualified |
| 2. Internal control over financial reporting:                      |             |
| a. Material weakness identified                                    | No          |
| b. Reportable condition identified that is not a material weakness | No          |
| 3. Noncompliance material to financial statements:                 | No          |

Federal Awards

- |  |             |
|--|-------------|
| 1. Internal control over major programs:   |             |
| a. Material weakness identified  | No          |
| b. Reportable condition that is not a material weakness  | No          |
| 2. Type of auditor's report issued on compliance for major programs  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 | No          |
| 4. Identification of major programs:   |             |

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850	Low Rent Public Housing	\$ 776,187	No	0	N/A	N/A
14.872	Capital Fund Program	470,634	No	0	N/A	N/A
14.864	Economic Devel. and Supportive Services Program	4,256	No	0	N/A	N/A
14.870	Resident Opportunity and Supportive Services Program	17,641	No	0	N/A	N/A
14.871	Housing Choice Vouchers	<u>2,334,523</u>	Yes	0	N/A	N/A
	<b>Total</b>	<u>\$3,603,241</u>				

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$500,000 |
| 6. Auditee qualified as low-risk auditee?                                  | Yes       |

JACKSON HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2004  
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

JACKSON HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
March 31, 2004  
=====

NONE

JACKSON HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 March 31, 2004  
 =====

<u>FDS Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
921	Tenant services-salaries	\$ 29,944.00	
915	Employee benefits		
	contributions	3,295.00	
911	Administration-		
	salaries		\$29,944.00
923	Employee benefits		
	contributions-		
	tenant services		3,295.00
	To adjust tenant service-		
	salaries to Budget.		